

## Newly Formed Indian REITs Association Launched

### Sets Agenda for Growth, Governance and Investor Advocacy for Indian REITs

**Mumbai, September 5, 2023** – The Indian REITs Association ('IRA'), formed under the guidance of the Securities and Exchange Board of India (SEBI) and Ministry of Finance, today announced its launch as a non-profit trade organisation that is committed to advancing the growth and development of the Real Estate Investment Trust (REIT) sector in India.

The newly formed association will closely collaborate with SEBI, the primary REIT regulator, to advocate for both business and investor interests while adhering to regulations. In a role similar to that played by the Association of Mutual Funds in India (AMFI) for mutual funds, the IRA aims to be a body of integrity and excellence, and foster industry best practices that are benchmarked to leading global REIT standards. The IRA will also work with the authorities and regulators to aid policy initiatives like the SEZ reforms that will enable further growth of REITs.

Brookfield India Real Estate Trust (BIRET), Embassy REIT, Mindspace Business Parks REIT, and Nexus Select Trust are the founding members of the IRA.

With ₹1,19,313 crores in gross Assets Under Management (AUM), a market capitalization of over ₹75,000 crores, and a portfolio covering 113.5 million square feet of Grade A office and retail spaces nationwide, REITs in India have demonstrated noteworthy growth since the first REIT listed in 2019.

In just four years, REITs have raised over ₹25,500 crores of equity capital through primary issuances including initial listings and follow-on offerings, and ₹18,890 crores of debt capital demonstrating significant investor appetite for the asset class. As of June 30, 2023, the number of unitholders in the four REITs has grown to over 200,000, which highlights the enthusiasm of retail investors seeking to own commercial real estate in a liquid, regulated, and professionally managed structure that Indian REITs provide.

On the newly formed association, **Shri. Solomon Arokiaraj, Joint Secretary (IPP), Dept of Economic Affairs, Ministry of Finance**, said, *"REITs are innovative financial instruments that provide an opportunity to invest in a portfolio of income-generating real estate assets with relatively smaller ticket sizes, while retaining liquidity, which is generally missing in the case of real estate investments. The global experience in the US and Singapore markets show that REITs have been instrumental in the capitalization of real estate markets. There is an enormous potential to replicate that success in India as well. Since the instrument is in the growth stage in India, the newly established Indian REITs Association (IRA) can play a key role in spreading awareness about REITs and supporting evolving regulations for the sector. I wish them all the best in their future endeavours."*

At the inaugural launch, the **CEOs of the founding members of the IRA** in a joint statement said, *"The launch of the IRA comes at an opportune time. We're delighted to now have a formal association to work together on key agenda items such as educating investors, improving liquidity, and collaborating with SEBI and other regulators on enhancing governance and investor protection norms, among others. With ~420 msf of Grade A office stock and over 60 msf of Grade A malls in India, the REIT sector is poised to grow rapidly and truly transform the commercial and retail real estate sector in the country."*

The IRA will comprise the Governance & Strategy Committee, Executive Committee and Engagement & Promotion Committee, each aiming to drive growth, governance, and stakeholder engagement for the overall sector.

#### **Global REIT Market Landscape:**

REITs are a global asset class that were first introduced in the United States in 1960 to allow retail investors to invest in commercial real estate in a liquid vehicle that was listed on the Stock Exchanges. Globally, there are 893 listed REITs with a collective equity market capitalization of approximately \$1.9 trillion (as of December 2022).

**Evolution of REITs in India:**

The journey of REITs in India commenced with the introduction of regulatory guidelines in 2014 and culminated in the public launch of REITs in 2019, with Embassy REIT's listing. Following this, two more REITs, were listed on the Indian exchanges - Mindspace Business Parks REIT in 2020 and Brookfield India Real Estate Trust, in 2021. In May 2023, India's first retail REIT, Nexus Select Trust, was listed.

The Indian REIT regulations mirror international REIT standards and have played a key role in facilitating the institutionalization of the Indian commercial real estate market.

Indian REITs are required to invest 80% of their portfolio in income-producing properties, pay out at least 90% of net distributable cash flow to investors semi-annually, and are limited to a conservative debt to capitalization of 49%.

**Notes -**

Source for ~420 msf Grade – A office stock (Colliers | REITs - gaining larger ground in Indian real estate | June 2023)

Source for over 60 msf of Grade A malls (CBRE Real Estate Market Report | November 2022)

Gross AUM as on 31 Mar'23

Market cap as of 25 Aug'23

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